

Nommensen Universitas – Medan

Decentralization: Its Implementation in North Sumatera
(Desentralisasi: Pelaksanaannya di Sumatera Utara)

Decentralization Workshop II
Strengthening the University Capacity to Support Decentralization
(Lokakarya Kedua Untuk Meningkatkan Kesanggupan Universitas
Mendukung Desentralisasi)

Project 497-0357 / 104-000
Strategic Objective 1
ECG, USAID/Indonesia
Contract No. 497-C-00-98-00045-00

Center for Institutional Reform and the Informal Sector (IRIS)
University of Maryland at College Park

June 4 – 10, 2000

USAID-funded Partnership for Economic Growth (PEG Project).
The views expressed in this report are those of the author and not necessarily those of
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DECENTRALIZATION: ITS IMPLEMENTATION IN NORTH SUMATERA

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**“STRENGTHENING THE UNIVERSITY CAPACITY TO SUPPORT
DECENTRALIZATION’ WORKSHOP**

**Lembaga Penyelidikan Ekonomi Masyarakat Universitas Indonesia
(LPEM-UI)**

&

The Center for Institutional Reform and the Informal Sector (IRIS)

**JAKARTA
June 5-10, 2000**

PART-I

INTRODUCTION

The implementation of UU no. 22/1999 regarding regional autonomy and UU no. 25/1999 regarding financial balance between central and local government has been in progress. Government regulation no. 25 (PP 25) regulates the implementation of UU no. 22/1999 has been released by the government of Indonesia. Indonesian regional government, then, should be ready to completely, but in a right step, adopt and implement it in the near future.

The adoption and implementation of the decentralization law means that regional governments, Dati-I and Dati-II, have accepted greater autonomy in managing their local resources. The law guarantees each regional government right and power to determine policies, formulate means of development, and sets sector development priority. In short, each regional government will no longer act as subordinate of central government, will no longer act as decision taker, but will become a decision setter instead.

The demand for greater autonomy has long been the dream of all regions (propinsi and kabupaten/kotamadya) in Indonesia. Even since the declaration of the nation independence in 1945 all regions have shown their need for greater autonomy although the form of autonomy they demanded was different from time to time.

During the nation development stages, the autonomy demanded by all regions is mostly in the form of autonomy to manage resources. Almost all provinces in

Indonesia feel that they have a very limited right and power to independently manage their own resources since most of the decisions regarding the 'way of life' of local government are decided and regulated by central government. When one local government was about to ready to improve its local economy, and had been ready to set decisions needed to support their plan and target, the central government regulation and limitation were standing in their way. The worst situation is when the central government regulation and limitation were not in favor of their plan. It was not rarely that the central government seemed to prevent them from reaching their target.

In different context, the central government regulation and limitation have to do with the limitation of autonomy of local government to manage its own revenue. Some regions in Indonesia such as Aceh, Riau, and Bali, generate a huge amount of revenue every year but only a very small fraction of it can be managed by the local government. The larger fraction will go to central government as the central government revenue. This phenomenon has recently been the main reason for some regional government and people to demand for independence. They feel that the central government acts not as a parent for them but merely become robbery instead. They are aware that the economic growth they experienced so far was too slow compared to what they might get if they were given autonomy to use their resources.

The reformation era that just began in Indonesia gives hopes to local governments. Both UU no. 22/1999 regarding regional autonomy and UU no 25/1999 regarding financial balance between central and local government promises greater autonomy for local government to set their development direction and means, and to manage their own 'home'. The central government, although still have right to manage

such important issues as politics, defense, and foreign relations, will surrender some of its authority to local government.

This paper describes the implementation of decentralization in North Sumatera (Sumatera Utara), one of the remaining 26 provinces in Indonesia.

PART-II

SOCIAL AND ECONOMIC AFFAIR OF NORTH SUMATERA

II.A. The Birth of North Sumatera

During the Dutch occupation of Indonesia, the whole Sumatera Island constituted regional governance called *Gouvernement van Sumatera* headed by a *Gouverneur* headquartered in Medan. In the beginning of the independence era, Sumatera still constituted governance called *Province of Sumatera* headed by a governor. Province of Sumatera consisted of some Administrative Region (*keresidenan*) each headed by a *Residen*.

At the first meeting of *The Komite Nasional Daerah (KND)* of Sumatera Province, this province was divided into three sub-provinces: Sub-Province of Northern Sumatera (Sumatera Bagian Utara, consists of Keresidenan Aceh, Keresidenan East Sumatera, and Keresidenan Tapanuli), Sub-Province of Central Sumatera (Sumatera Tengah), and Sub-Province of Southern Sumatera (Sumatera Selatan). The division was based mainly on transportation and defense issues. Then, through UU No. 10/1948, released on April-15, 1948, the government established the three provinces in Sumatera each with autonomy to self-management. The three provinces are:

1. Province of Northern Sumatera consisting of Aceh, Sumatera Timur, and Tapanuli.
2. Province of Central Sumatera, consisting of Sumatera Barat, Riau, and Jambi.

3. Province of Southern Sumatera, consisting of Bengkulu, Palembang, Lampung, and Bangka-Belitung.

Based on UU No. 10/1948, Dewan Perwakilan Rakyat Daerah Tingkat-I (DPRD-I) Sumatera Utara, with decision No. 19/K/1973 on August-13, 1973 announced that April-15, 1948 as the birthday of Propinsi Daerah Tingkat-I Sumatera Utara.

Based on Undang-undang Darurat No. 7/1956, Undang-undang Darurat No. 8/1956, Undang-undang Darurat No. 9/1956, Peraturan Pemerintah Pengganti Undang-undang No. 4/1964, Province of North Sumatera consisted of 17 Kabupaten/Kotamadya:

1. Kabupaten Tapanuli Tengah.
2. Kabupaten Tapanuli Utara.
3. Kabupaten Tapanuli Selatan.
4. Kabupaten Nias.
5. Kabupaten Langkat.
6. Kabupaten Karo.
7. Kabupaten Deli Serdang.
8. Kabupaten Simalungun.
9. Kabupaten Asahan.
10. Kabupaten Labuhan Batu.
11. Kabupaten Dairi.
12. Kotamadya Medan.
13. Kotamadya Pematang Siantar.
14. Kotamadya Sibolga.

15. Kotamadya Tanjung Balai.

16. Kotamadya Binjai.

17. Kotamadya Tebing Tinggi.

Based on the demand of the residents of Kabupaten Tapanuli Utara and Kabupaten Tapanuli Selatan, in 1999 these two kabupaten were divided to become four kabupaten:

1. Kabupaten Tapanuli Utara was broken down into Kabupaten Tapanuli Utara and Kabupaten Toba Samosir.
2. Kabupaten Tapanuli Selatan was broken down into Kabupaten Tapanuli Selatan and Kabupaten Mandailing Natal.

With this division, province of North Sumatera now consists of 19 Kabupaten/Kotamadya.

II.B. Social and Economy Affair of North Sumatera

II.B.1. Social Affair

As an integral part of national economy, North Sumatera economy also experienced a crisis since 1997. In the context of social affair, North Sumatera Government development policy was conducted in various business sectors and was focused on activities and programs that support both regional and national economy recoveries. The anticipation of crisis in economy is conducted in the region with the following targets:

1. The availability of nine basic products (sembilan bahan pokok) and medical products with reasonable price to satisfy the need of low income or poor society. This is done through an effective subsidy policy and food diversification in order to reduce the dependent of society on rice.
2. To reactivate production activities especially those society-based, export oriented economy as a base to establish a strong economy foundation.
3. To fully employ economic and natural resources.
4. To fully employ tourism resources as one source of local revenue.

In coping with the impact of economic crisis, the central government has initiated Social Safety Net program (Program Jaring Pengaman Sosial = Program JPS) in four prioritized, critical, main targets:

1. The improvement of food safety.
2. The creation of productive work field.
3. The development of small and middle enterprise.
4. The establishment of social protection in basic services especially in health and education issues.

The allocation of JPS fund in 1999/2000 in The Province of North Sumatera is divided into 5 programs:

1. Food safety.
2. Education.
3. Health.
4. Productive work field.
5. Society empowerment.

The following Table shows the allocation of JPS fund among those 5 programs:

Table II-1:
ALLOCATION OF JPS FUND IN PROVINCE OF NORTH SUMATERA
1999/2000

JPS PROGRAM CATEGORY		AMOUNT OF FUND (Rp. Million)
1	FOOD SAFETY:	
	a. Special Market Operation – Rice	3,740
	b. "Buras" Chicken development.	
2	EDUCATION:	
	a. Scholarship and DBO Dikdasmen.	83,698
	b. Scholarship and DBO Dikti.	8,288
	c. BOP SD/MI.	30,761
3	HEALTH:	
	a. Healthcare at Puskesmas.	38,360
	b. Revitalization of SKPG.	982
	c. Hospital operational and Treatment.	4,630
	d. Hospital health services.	3,173
	e. JPS in social sector.	4,996
	f. PMT-AS	17,708
4	PRODUCTIVE WORK FIELD:	
	a. Labor Intensive – PU Cipta Karya.	32,250
	b. Special initiative for woman unemployment.	
5	SOCIETY EMPOWERMENT:	
	Pemberdayaan Daerah Dalam Mengatasi Dampak Krisis Ekonomi (PDM-DKE)	52,990
TOTAL		281,567

Source: Bappedadasu.

The fund for each JPS program is distributed to Dati-II (Kabupaten/Kotamadya) in North Sumatera with allocation that based on the need of each Dati-II and the amount of fund available.

II.B.2. Economic Affair

II.B.2.a. Gross Regional Domestic Product (PDRB)

PDRB (Produk Domestik Regional Brut = Gross Regional Domestic Product) growth of North Sumatera in 1999, at 1993 constant price, generally increased by 1.51% compared with PDRB at previous year that had negative growth of -11.76%.

In 1998 various economic sectors experienced drastic decline due to the crisis started in the 3rd quarter of 1997. Various sectors that were growing fast experienced significant decline. In 1999, PDRB began growing at 1.51% compared with the growth in 1998. The recovery of North Sumatera economy included most of economic sectors whereas such sectors as mining, trade, hotel & restaurant, and financial experienced negative growth.

Per sector, the growth of PDRB this year is supported by agricultural sector contributing 30.95% of total PDRB. Product of Farm Non-Food Crops sub-sector (*sub-sektor tanaman perkebunan*) is still the competitive product (*produk unggulan*) of North Sumatera contributing 13.93% of total PDRB. In 1998 this competitive product growth was only 8.64%.

A significant growth was experienced also by livestock and products sub-sector (*sub-sektor peternakan dan hasilnya*) and fishery sub-sector (*sub-sektor perikanan*)

reaching 4.90% and Farm Food Crops sub-sector (*sub-sektor tanaman pangan*) reaching 1.00% whereas forestry sub-sector still experienced negative growth of -1.61%. This negative growth showed a better condition from 1998, which were only -13.23%.

The next contributing sector is Manufacturing Industry sector (*sektor industri pengolahan*) with 23.12% contribution to total PDRB. Non-Oil-Gas Industry sub-sector (*Sub-sektor industri tanpa migas*) contributed more (22.93%) compared with Oil-Gas Industry sub-sector (*sub-sektor migas*) which contributed only 0.19% to the total PDRB of North Sumatera. In total, this manufacturing industry sub-sector experienced growth of 0.71% compared with previous year growth, which were only -13.81%.

Trade, Hotel & Restaurant sector (*sektor perdagangan, hotel & restoran*) is the next main contributor which contribution of 18.32% to the total PDRB of North Sumatera. The growth rate of this sector is -0.23% in 1999 but it was better than previous year growth which was -12.26%.

Other sectors contributing also to the PDRB of North Sumatera is Transportation and Communication sector (*sektor pengangkutan dan komunikasi*) contributing 7.90% with growth rate of 1.36% in 1999 compared with previous year growth, which was -20.48%. Services sector contributed 6.73% to the total PDRB with growth rate of 4.05% in 1999 compared with previous year growth, which was -19.15%.

Per region, the contribution of each region to the total PDRB varies. In 1998, Kotamadya Tanjung Balai with occupy only 0.08% of North Sumatera, and with population of only 1% of North Sumatera, contributed 1.60% to total PDRB of the

province. Per capita PDRB of this Kotamadya is Rp. 2.97 million, the highest in North Sumatera. The lowest per capita PDRB region is Kabupaten Nias that occupies 7.42% of North Sumatera area and population of 5.86% of the province. The per capita PDRB of this Kabupaten is only Rp.1.21million in 1999. Kotamadya Medan, the capital of North Sumatera, has the sixth highest per capita PDRB, which is only Rp. 2.32 million in 1999.

II.B.2.b. Local Investment (PMDN) and Foreign Investment (PMA)

In 1999, local investment (PMDN) proposal that was recommended by the government in North Sumatera consists of 7 new projects. In value, the accepted projects in 1999 are only Rp.126, 727.49 million. This is a decline by 85% from 1998 which was Rp.832, 212.25. This accepted projects could absorb 1,378 local labors and 2 foreign labors. Per sector, 1999 PMDN projects was invested Rp.92,849.99 million in service sector, Rp.11,739.50 million in other industry sector, Rp.12,140 million in chemistry sector, and Rp.9,998 million in food industry sector. There were also three old projects that need expansion. These three projects are in food industry sector and office sector that needs Rp.67,521.04 million for expansion.

The proposed PMDN projects in 1999 are in Kotamadya Medan consisting of 4 projects that need Rp.62,739.49 million. Two projects are in Kabupaten Deli Serdang that need Rp.22,138 million; 1 project in Kabupaten Tapanuli Utara that need Rp.850 million. Six expanded projects consist of 2 projects in Kotamadya Medan, 2 projects in Kabupaten Deli Serdang, and 1 project in Kabupaten Labuhan Batu.

In 1999 there were 23 new foreign investment projects (*proyek-proyek penanaman modal asing = proyek-proyek PMA*) accepted by the government. The total value of the project is US\$.41 million. (In 1998 the total value of accepted projects was US\$.127 million meaning that there was a 68% decline). These new foreign investments will absorb more than 22,000 local labors and about 50 foreign labors.

Per sector, proposed foreign investment accepted during 1999 absorbed by food industry sector (US\$.20.30 million), farm non-food sector (US\$.10 million), service sector (US\$.4.11 million), wood industry sector (US\$.2.50 million), chemistry sector (US\$.1.70 million), other industry sector (US\$.800,000), paper industry (US\$.900,000), fishery sector (US\$.500,000) and agricultural sector (US\$.130,000). There were also 6 old projects in farm non-food crops, farm food crops, chemistry, constructions, and services sectors all need US\$.34.77 million for expansion.

Per region, the allocation of this foreign investment is US\$.18.94 million in Kotamadya Medan, US\$.10 million in Kabupaten Tapanuli Utara, US\$.7.52 million in Kabupaten Deli Serdang, US\$.68 million in Kabupaten Dairi, US\$.385,000 in Kabupaten Asahan, US\$.366,000 in Kabupaten Simalungun, and US\$.50,000 in Kabupaten Karo.

II.B.2.c. Export and Import

In 1999, the total non-oil-gas export of North Sumatera was US\$.2,483 million. It was an 11% decline from 1998 which was US\$.2,780 million. At the same period the

national export experienced the worst decline during the last 5 years, which was 14%. It declined from US\$.41,859 million in 1998 to US\$.36,154 million in 1999. The value of non-oil-gas of North Sumatera declined 1.64% from US\$.2,52 million in 1998 to US\$.2.48 million in 1999. Non-oil-gas commodity export experienced significant decline reaching 30%. This decline indicates the decline of price of some export products such as rubber, coffee, and tea in foreign market.

In 1999, some export commodities experienced negative growth from previous year but some experienced positive growth. Several main competitive products were CPO, rubber, aluminum, and lobster. In 1999 CPO experienced production value growth of 107.20% due to the volume growth of 193.67%, whereas rubber experienced a 9.34% decline in value due to a 4.98% decline in production volume compared with previous year; lobster experienced a 7.14% decline in value due to a 4.38% decline in production volume; and aluminum experienced a 32.68% growth in value due to a 28.26% growth in production volume.

Table II-2:
Total Value of North Sumatera Export to Five Countries
1999

COUNTRIES OF DESTINATION	TOTAL VALUE (US\$. 000)	TOTAL VOLUME (Ton)
1. USA	329,673.00	388,002.00
2. Japan	325,561.00	366,279.00
3. The Netherlands	264,769.00	822,643.00
4. India	244,752.00	618,899.00
5. Singapore	143,331.00	190,762.00
	1,308,086.00	2,386,585.00

Five countries as export destination of North Sumatera are USA, Japan, The Netherlands, India, and Singapore. The total value of export to each of those countries is summarized in table II-2.

Table II-3:
Total Value of North Sumatera Import
1999

	VALUE	SHARE (%)	VOLUME	SHARE (%)
Machines	89,972.00	13.76	25,047.00	1.10
Chemistry	176,279.00	26.97	938,610.00	41.15
Basic metal	29,442.00	4.50	120,475.00	5.28
Plastic	12,579.00	1.92	24,952.00	1.09
Auto part	196.00	0.03	319.00	0.01
Paper	11,197.00	1.71	8,991.00	0.39
Metal (WIP)	25,847.00	3.95	76,943.00	3.37
Bean	98,061.00	15.00	387,716.00	17.00
Kapas	137.00	0.02	6.00	0.00
Ship & machine	1,849.00	0.28	3,537.00	0.16
Pharmaceutical	10,608.00	1.62	3,549.00	0.16
Automotive	1,392.00	0.21	53.00	0.00
Rayon	7,038.00	1.08	1,917.00	0.08
Traktor and truck	3,246.00	0.50	2,189.00	0.10
Aluminum	7,487.00	1.15	5,468.00	0.24
Aircraft & machine	3,235.00	0.49	2,256.00	0.10
Electrical	1,671.00	0.26	15,511.00	0.68
Others	173,453.00	26.53	663,181.00	29.08
	653,689.00	100.00	2,280,720.00	100.00

Total value of North Sumatera import experienced a 59% increase from US\$.408 million in 1998 to US\$.649 million in 1999 whereas total value of national import experienced a 12% decline from US\$.35,281 million in 1998 to US\$.31,035 million in 1999. The total value of non-oil-gas commodity import of North Sumatera

experienced a 129% increase from US\$.286 billion in 1998 to US\$.654 billion in 1999. In volume, the increase was 319% from 544,138 ton in 1998 to 2,280.720 ton in 1999. Table II-3 shows non-oil-gas import of North Sumatera.

PART-II

NORTH SUMATERA GOVERNMENT: SITUATION AND CONDITION

III.A. Autonomous Services

The following are the 19 autonomous services in the Province of North Sumatera:

1. The Agricultural Services (*PP no. 47/1951*).
2. The Livestock/Animal Services (*PP no. 48/1951*).
3. The Inland Fishery Services (*PP no. 49/1951*).
4. The Education and Cultural Services (*PP no. 65/1951*).
5. The Public Works Services (*PP no. 18/1953*).
6. The Industry Services (*PP no.12/1954*).
7. The Forestry Services (*PP no.64/1957*).
8. The Sea Fishery Services (*PP no.64/1957*).
9. The Social Services (*PP no.5/1958*).
10. The Housing Services (*PP no.6/1958*).
11. The Manpower Services (*PP no.14/1958*).
12. The Traffic and Road Transport Services (*PP no.16/1958*).
13. The Small Holders' State Services (*The Minister of Estate Decree no.75/KPTS/5/68 on May 1958*).
14. The Revenue Services (*North Sumatera Province Regulation no.4/1976*).
15. The Bina Marga Services (*Regional Regulation no.13/1980*).

16. The Irrigation Services (*Regional Regulation no. 14/1980*).
17. The Cipta Karya Services (*Regional Regulation no.15/1980*).
18. The Tourism Services (*Execution no.44/1980*).
19. The Mining Services (*Regional Regulation no.14/1989*).

III.B. Regional Development Reformation Policy

The North Sumatera development is formulated in a policy called Regional Development Reformation Policy (*Kebijakan Reformasi Pembangunan Daerah*). The development reformation policy of North Sumatera is to cope with the crisis which will be initiated in all field: economy, politics, law, religion, and socio-cultural. In accordance with the policy, the development priority scale of the province is *agriculture, industry, and tourism*.

III.B.1. Economy

The target of the anticipation of the economic crisis in North Sumatera is:

1. The availability of nine basic products and medical products.
2. The revitalization of local economy, which is society economic, oriented.
3. The utilization of natural resources efficiently and effectively.

All of them are to be realized by considering environment conservation. In reaching those targets, the Government of North Sumatera has the following policies:

1. To put in highest priority the use of land for people agriculture and to empower small agriculture business. This is aimed to minimize the

centralization of activities in only one person or one group of people or one enterprise since it is not suitable for fairness and equality principles. It also focuses to give opportunity, support, and protection, and to help the development of small and medium businesses without denying the role of large private companies and State Owned Companies (*BUMN*).

2. To push the empowerment of people economy in villages by making available high quality seeds for food crops and export products with reasonable price.
3. To create conducive and competitive business environment improving the role of, and by prioritizing the development of, small and medium businesses and cooperatives. This objective would be realized by improving working mechanism as well as government institution services to business.
4. To improve transparency in government agency in managing business and government fund allocation. This is aimed to fight corruption, collusion, and nepotism practices.
5. To reestablish feasible production activities especially people economy basis and export oriented businesses.
6. To simplify distribution channel of basic products and to maintain its availability with reasonable price. Especially for the poor, this target is prioritized through a subsidy program including JPS program.
7. To initiate real activities to push and improve food production and food product diversification through the release of agriculture business credit (*Kredit Usaha Tani = KUT*), counseling, and marketing programs.

8. To employ economic potential and natural resources especially maritime resources including its protection in order to increase export; as well as tourism potential as a source of local revenue.
9. To develop small industry and household industry in order to increase work field and business opportunity and also to increase export by developing business capability of cooperatives and partnership with BUMN and other big industries.
10. To improve capability and role of cooperatives and private companies in industry development mainly agro-industry by the development of facilities, maintenance of conducive environment, and initiation of education and training for low-economy group and cooperatives.
11. To eliminate monopoly and bribery practices.
12. To improve the openness of the government in managing fund and resources.
13. To control prices by maintaining the supply of nine basic products and medical products as well as agriculture production facilities.
14. To increase the number of labor-intensive work field, the use of such non-traded goods as education, counseling, and health for lowest level society.
15. To motivate private companies and BUMN to participate in developing and educate small and medium business and cooperatives.
16. To push the developments of healthy local level financial institution such as BPR, BMT, and credit union.

17. To revitalize financial institutions such as banking, cooperatives, credit union, and capital market.
18. To deregulate or to adapt regional regulation (*Perda*) that is not conducive for investment, production, distribution, and trade.
19. To fight for the implementation of regional autonomy in the widest manner through the regulation of the division and use of resources and financial.

III.B.2. Political

Political situation and culture developed in 32 years has resulted in a very fragile political and safety stability toward central political dynamics. Local government authority, which is influenced by presidential and central institution, has caused local autonomy improperly conducted. This has foster tendency for corruption, collusion, and nepotism that caused political foundation and structure become very weak in facing current distortion and crisis. The paternalistic societal culture influence and neo-feudalistic culture have caused participatory process and political culture in the national politics has been improperly in progress. Cultural and diversity reality in social culture, especially in North Sumatera, becomes challenges in reaching political consensus in local level. Centralized and closed executive power under the control of presidential institution has caused structural and systematic crisis. This phenomenon does not support the development of function of various government institutions, politic, and social. The corruption and nepotism in the past caused by the closeness and centralized of power. Mechanism of central and local relationship tends to be

colored by power centralization. Decision making model is not seldom in lieu of geopolitical and demographic map. This situation can prevent the creation and distribution of income as well as wide and responsible regional autonomy implementation. The improvement of human resources quality as well as mental attitude does not go properly. Centralization and neo-feudalistic pattern have fostered the migration of skilled human resources to the central, which limits the development of local human resources. This has created leadership style that does not consider acceptability and legitimacy aspects. All of this becomes dependent on the reorganization of national political system and structure.

The following are the policies to be implemented in political field:

1. To socialize Ketetapan Sidang Istimewa MPR-RI 1998, UU Kemerdekaan Mengemukakan Pendapat, and UU Politik that support democracy process.
2. To vitalize people power by empowering control role of government institution, and political and societal institutions.
3. To acknowledge diversity in principles, characteristics, aspiration, and program of political and societal organizations that are suitable to Pancasila and regulations.
4. To implement the division of authority and responsibility between legislative, executive, and judicative at local level.
5. To adapt the degree of dwi fungsi ABRI with the new paradigm of the role of ABRI.
6. To improve communication among government, religion leaders, political leaders, the youth and students, and NGO (LSM).

III.B.3. Legal

During the 32 years of New Order administration, legal development especially regulations regarding limitation of the power of the president has not shown favorable results. This condition gives rooms for corruption, collusion, and nepotism activities. There is much power abuse and legal harassment practices as well as lack of legal protection for people.

National Legislative Program (*Program Legislatif Nasional = Prolegnas*) has not been in full effect in accommodating people aspiration. This program tends to support only the need of economy and political elite.

The following are policies in legal field:

1. To socialize legal political culture that tends to implement justice and equality.
2. To socialize and implement Undang-undang Pemilu, Undang-undang Politik, and Undang-undang Kemerdekaan Mengemukakan Pendapat.
3. To clearly divide role and authority of law enforcers.

III.C. Religion and Socio-cultural

The diversity of North Sumatera society both in terms such horizontal factors as ethnic, religion, race, and culture; and in terms of such vertical factors as education, income, and other social level, constitute the main characteristics of the people of North Sumatera. This diversity could become potential for conflict, but could also become a social dynamics. These probabilities will depend on the management of the people itself.

During the New Order administration, the development in religion and socio-cultural affairs not only omitted functional substance of the religion and culture themselves but also has denied the participation of religion and socio-culture leaders as informal leader. During this period, religion and culture were treated as part of ceremonial package.

PART-IV

THE READINESS OF NORTH SUMATERA TO IMPLEMENT DECENTRALIZATION

IV.A. The Consequences and Ramification of The Decentralization

The implementation of decentralization in North Sumatera is not without consequences. The consequences take both forms; favorable and unfavorable. The following are problems faced by North Sumatera Government in implementing decentralization:

1. The lack of understanding by local government officers about decentralization: what to decentralized and how.
2. The insufficiency of decentralization law to satisfy local government wants: the distribution of revenue between central and local governments.
3. The unequal distribution of skilled human resources between cities and villages.
4. The difference in human and natural resources between Dati-II.

IV.B. SWOT Analysis

The readiness of North Sumatera to implement decentralization can be measured using SWOT analysis as follows:

KEY SUCCESS FACTORS:

The key success factors in the implementation of decentralization are:

1. The availability of human resources both quantitatively and qualitatively.
2. The availability of natural resources both quantitatively and qualitatively.
3. The conducive environment for doing business.
4. The stable political situation.
5. The stable economic condition.
6. The proper and intensive law enforcement.

SWOT (STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS):

The strengths and weaknesses of North Sumatera and the opportunities and threats facing it in implementing decentralization are as follow:

Strengths:

1. The great demand by the government and the people for decentralization.
2. The abundant idle natural resources.

Weaknesses:

1. The lack of skilled human resources in Dati-II.
2. The resistance to change from some government officers.
3. The increasing crime rate.
4. The demand for new Dati-II by some people and government officer.
5. The problematic local government election.
6. The lack of research and development.

Opportunities:

1. The greater authority to manage human and natural resources.

2. The approaching globalization era (e.g. AFTA).

Threats:

1. The continuing economy crisis.
2. The unstable political climate.
3. The decreasing foreign investment.
4. The seriousness and the willingness of central government to delegate authority to local governments.
5. The insufficient law enforcement.

PART-V

STRATEGY FOR THE IMPLEMENTATION OF DECENTRALIZATION

The strategy for the implementation of decentralization in North Sumatera can be formulated in policies and actions that needed to make it efficient and effective. The policies and action can be divided into short term, medium term, and long term.

V.A. Short Term (1 to 3 Years)

1. Socialization of UU no.22/1999 and UU no.25/1999 to government institution employees at all levels.
2. Socialization of UU no.22/1999 and UU no.25/1999 to political parties, NGOs, and informal leaders.
3. Socialization of UU no.22/1999 and UU no.25/1999 to business people, society members, and university students.
4. Maintenance of good relationship between local government and regional universities.
5. Identification of revenue sources that might be managed by local government.
6. Setting of programs to educate and train all society members in order to improve their ability to take advantage of decentralization.
7. To include decentralization laws and all of their regulation in the curriculum of all social sciences department in Universities.

V.B. Medium Term (3 to 5 Years)

1. Preparation of government institution employees to increase their understanding and the implementation of decentralization.
2. Reorganization and restructuring of local government management to be suitable to the implementation of decentralization.
3. Distribution of government institution officers among all administration points in the region.
4. Change of salary and echelon system in order to motivate government institution employees to work in remote places.
5. Setting of formula for fiscal decentralization to be proposed to central government.
6. Setting of programs to improve productivity of human and natural resources.
7. Initiation of trade partnerships with foreign countries.

V.C. Long Term (5 to 10 Years)

1. Conducting intensive research to find any idle natural resources in the region.
2. Exploration and exploitation of various idle natural resources.